



Indiana Economic Development Corporation

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November 22, 2006

Lea Ellingwood  
Legal Division  
Indiana Gaming Commission

Dear Ms. Ellingwood:

Pursuant to IC 4-22-2-28, the Indiana Economic Development Corporation ("IEDC") has reviewed the economic impact analysis associated with LSA Document #06-335 proposed by the Indiana Gaming Commission (IGC). The intent of the proposed rule is to formalize present practices of the charity gaming division under the Commission's supervision versus that of the Department of Revenue. This transition was provided for under SEA 100 (2006). Entities affected by the rule include qualified organizations that conduct charitable gaming events as well as the licensed manufacturers and distributors that provide supplies for those events. Economic impact associated with the rule consists primarily of increases in certain fees.

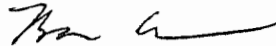
Manufacturers and distributors of gaming equipment must obtain a license in order to conduct business. The proposed rule would increase the initial and annual renewal fees for manufacturers and distributors to five thousand dollars (\$5,000). This change corresponds to a two thousand dollar (\$2,000) increase in fees for manufacturers and a three thousand dollar (\$3,000) increase for distributors. The IGC has identified 17 licensed manufacturers that would be affected by the rule changes, only one of which is classified as an Indiana small business. IGC has identified 51 licensed distributors, 40 of which are Indiana based. Because there is not sufficient evidence to determine what portion of the Indiana based distributors are small businesses, the IGC has made the conservative assumption that all 40 Indiana based distributors are small businesses. Therefore the total reported annual economic impact to small businesses attributed to the license fee increase is \$122,000 [ $1 \times \$2,000 + 40 \times \$3,000 = \$122,000$ ]. Importantly, although the IGC has assumed that all 40 Indiana based distributors are small businesses, the actual number of distributors that are small businesses could be much less, resulting in a significantly lower economic impact to small businesses.

The revised charity gaming statute authorizes the Commission to set the initial license fee for a qualified event not to exceed fifty dollars (\$50). Currently, the initial license fee is twenty five dollars (\$25), which was the maximum fee allowed under the old law. The proposed rule will continue to set the initial licensing fee at the maximum amount allowed under the statute. The fifty dollar (\$50) initial fee in the proposed rule represents a twenty five dollar (\$25) increase in the initial licensing fee. The fee will only apply to organizations seeking a license for the first time. The IGC has historically averaged 192 new licenses for qualified events per year. Based on this average and assuming all licensed are granted to entities classified as small businesses, the total annual economic impact associated with this increase is \$4,800 [ $192 \times \$25 = \$4,800$ ]. The IGC has assumed that all licenses for new events are granted to small business. However, if only a portion of the licenses are granted to small businesses, the actual economic impact to small businesses could be significantly lower.

The proposed rule will impose new reporting schedules and possibly additional administrative costs on qualified not-for-profit organizations licensed to conduct charity gaming events. For a qualified organization operating under an annual license, the organization will be required to submit financial statements on a quarterly basis under the proposed rule rather than annually under previous rules. Based on research conducted by IGC, including input from currently licensed entities, IGC anticipates the average annual increase in administrative costs to be approximately four hundred sixteen dollars (\$416) per organization that incurs such costs. Currently, eight hundred fifty four (854) organizations hold an annual license with the Commission and would be subject to these increased costs. The IGC has again conservatively assumed that all affected entities are small businesses, but the nature of entities as non-profit organizations raises questions as to whether or not they should be classified as small businesses and be included for purposes of this analysis. IGC research estimates that approximately thirty percent (30%) of these organizations utilize volunteers to perform reporting requirements at no cost to the organization, resulting in no economic impact to the organization. Adjusting for the "volunteer" factor, the total financial impact of the new reporting requirements for qualified organizations is estimated to be approximately \$248,685 [854 X 70% X \$416].

Total annual economic impact associated with all changes in the rule equals \$375,485 [\$248,685 + \$4,800 + \$122,000]. Again, the IGC has made the conservative assumption that all entities that could potentially be classified as small businesses are considered small businesses for the purposes of this impact statement. If small businesses represent only a portion of affected entities, the actual economic impact could be much less than what is reported in the impact statement. Additionally, the fee increases bring Indiana's fees in line with comparable fees in other states and will support improved quality control measures planned by the IGC. The IEDC does not object to the economic impact contained in the proposed rule changes. If you have any questions about the comments contained herein please contact me at 232-8962 or [rasberry@iedc.in.gov](mailto:rasberry@iedc.in.gov).

Regards,



Ryan Asberry  
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Indiana Economic Development Corporation